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Subject: Agreement--Hughes/AFGE

AFGE represented employees at the former Naval Air Warfare Center in Indianapolis. The installation was being closed as a result of base closure. The city was allowed to seek bids from companies willing to keep the center open. Hughes Technical Service Company was selected and agreed to retain the majority of the Center's workers. AFGE petitioned for and won exclusive recognition of the hourly employees working for the Company. This is the first time a purely Federal union has won recognition with a private company and negotiated a major agreement. Some background and a summary of the parties' agreement follows:

Federal Union Representation of Privatized Employees

General

* The Naval Air Warfare Center, Indianapolis, closed in June 1995 as a result of the DoD base closure program.

* Local 1744 of the American Federation of Government Employees had represented General Schedule and Wage Grade employees at the Center since 1967.

* Indianapolis obtained approval to seek bids from private companies willing to keep the center open; Hughes Technical Service Company won the bid and agreed to retain the majority of the Center + s federal workers and to employ no fewer than 2,000 employees in 1997.

* Local 1744 followed the privatized work and employees, organized a unit of over 2,000 hourly employees working for the Company, and

negotiated a collective bargaining agreement with the Company. The recognition is with AFGE and AFGE Local 1744.

- * This is the first major agreement between a federal union and a large contractor.

- * A Washington Post reporter reported that John Sturdivant, AFGE National President, stated that AFGE will continue to oppose contracting out and privatization of federal jobs on the basis that federal employees can do the work more effectively, efficiently and cheaper, but that if that battle is lost, the union will pursue the work.

Major Provisions in the Collective Bargaining Agreement between the Company and Union

- * Lockout/job actions. Management is prohibited from locking out employees and the union is prohibited from taking job actions (e.g., strikes).

- * Management rights. Management reserves the right to manage and operate the plant. This includes the right to establishing work processes, standards, and shifts; to increase, decrease, or rotate the workforce; to establish and modify job classifications; to evaluate and appraise employees; to establish, revise, and enforce reasonable rules and regulations not inconsistent with the agreement; to hire, promote, demote, discharge or discipline for cause; to transfer or reclassify employees; to assign personnel to shifts, schedules, and methods; to plan, route and schedule production; and to determine the extent to which and where the business, or part of the business, shall be operated or shut down. Management retains all other rights to the extent consistent with provisions of the agreement, i.e., if it has not been negotiated away it is retained by management.

- * Work restrictions. Non-bargaining unit employees cannot perform work regularly assigned to bargaining unit employees except in cases of emergency, job instruction, training, developmental work, or to alleviate production difficulties.

- * Political Action Committee (PAC) contributions. Employees can voluntarily elect deductions to the AFGE PAC.

- * Drug Testing. Employees are subject to drug testing based on reasonable suspicion in accordance with DoD regulations.

- * Hiring Preferences. Employees who become unemployed as a result of a mass layoff or plant closing will receive preferential consideration for job vacancies which may occur at other Company locations for which they are qualified and capable of performing.

- * Union Representation and Official time for union representational activities. Time spent working on the labor-management committee establishing under the agreement is considered work time. Three union officials are on the committee which meets to exchange view on matters affecting the Company and its employees. The agreement permits one steward for each shift having 40 to 100 employees and an additional steward for each additional 50 employees on the shift. The stewards are allowed to handle matters within their area of jurisdiction on work

time. The union is also entitled to one Chief Steward per shift selected from the general group of stewards. Among other things, the Chief Stewards handle grievances at the second step and consult with management and union representatives. Stewards cannot be transferred to another shift or out of their area of jurisdiction unless there is no work being performed in their group. They must be the first employees returned to that group or shift when work is again available.

* Services to the Union. Union officials are provided desks and access to telephones, including outside lines, to conduct legitimate union business.

* Outsourcing. Work is performed by Company employees in Company plants whenever, in the Company's opinion, such work can be performed competitively at required quality levels and in accordance with delivery requirements.

* Hours of Work, Overtime, and Premium Pay. The agreement establishes workweeks, shift hours, and overtime and premium pay. Overtime is time and one-half pay except that an employee receives two-times pay for all time worked on the seventh workday in a workweek for everything hour worked during that workweek in excess of 40 hours. Employees called into work for other than their regular shift, or for other than a continuous extension of their regular shift, receive a minimum of two hours work or two hours pay. Overtime is distributed on an equitable basis consistent with production needs by job classification, section, and shift. There are two ten-minute rests period, one in each half of an employee's shift, and a rest period between the regular shift and overtime work if the overtime is scheduled for two or more hours.

* Wages. The wages of privatized employees are grandfathered. If their wage rate exceeds the maximum established for the wage rate range established for their job grade or classification (there are six grades), they retain their existing wage rate. There is a general wage increase of 3% per year for each of the three years under the agreement.

There are also two wage progression increases of 0.25% effective June 26, 1998 and June 25, 1999. The increases do not apply to employees whose wage rate exceeds the maximum rate for the rate range of their job classification. In addition, employees who are below the mid-point of the rate range of their job classification receive wage progression increases of 0.25% to their base rate effective June 26, 1998 and June 25, 1999. Employees hired from January 6 through March 15, 1997, receive a lump sum payment of \$200. Swing shift employees receive a shift premium of 7 1/2% of their base hourly wage and graveyard shift employees receive a shift premium of 10% of their base hourly wage. Pay is also provide for a specified amount of jury duty (10 work days in any twelve month period) and for annual military training (eleven work days of differential pay (the difference between Military pay, including allowances other than travel pay, and employer pay at the straight-time base rate) in a twelve month period.

* Classification. Management has the right, as noted above, to delete, establish, or revise job classifications together with job descriptions and rates of pay. However, if the union does not agree with the labor grade, it may file a grievance. Job descriptions may not be construed to restrict in any manner the rights of the company to assign work to employees nor to permit an employee to refuse to perform assigned work

based on the reason that the work is not described in the job description or is described in another job description.

* Seniority.

* Seniority for Government Service. Seniority is based on prior government service occurring immediately before privatization. All employees hired and on the rolls of the company on the date of privatization have a seniority date which reflects credit for their government service time exclusive of any military service and performance appraisals. The company is required to provide the union with a list of all employees and their seniority dates agreed to at the time of hiring. Thereafter, all employees hired or rehired after loss of seniority will be treated as -new hires- for purpose of calculating seniority.

* Application. Seniority is established by job classification within the bargaining unit. New and former employees must serve a 90 day probationary period and they possess no seniority during that period. But, once their probationary periods are over, they are credited with seniority as of the effective date of their hire or rehire. Employees transferred and/or reclassified into the bargaining unit possess no seniority during the first thirty (30) days, plus absences, of employment therein. If their employment continues beyond the 30 days, they are credited with seniority as of the effective date of their transfer and/or reclassification.

* Super seniority. The Chief Steward and union stewards are entitled, subject to their ability to perform any remaining work within the areas of their jurisdiction and on the shift they serve as steward (and without regard to their seniority), to be the last employees laid off from, and first to be recalled to, their respective areas of jurisdiction.

* Seniority Loss. Seniority can be lost for a number of reasons including those associated with leaving the bargaining unit (e.g., resignation), layoffs of over 24 consecutive months, leaves of absence in excess of six months; and industrial illness or injury leaves of absences in excess of nine months.

* Promotion. The senior qualified employee among applicants must be selected for a position. A promotion is defined as any change in an employee's classification status, other than recalls, which results in the employee being reclassified, with or without an immediate change in base rate, to a classification of a higher rate range. Bargaining unit employees must be offered bargaining unit vacancies for which no eligible employees is laid off.

* Layoff and Recall. Employees are reduced by first separating probationary employees and then separating employees, by classification, in the inverse order of their seniority. Prior to being laid off, employees in a higher classification, will be offered -open positions- in seniority order provided they have the qualifications to perform the required work. An employee offered a lower classification in lieu of layoff has the option to take the layoff with recall rights to their position or to take the lower position. An employee who exercises layoff rights is recalled to the employee's former position prior to any other method of filling the

position if permitted by seniority. An employee who accepts the lower classification is entitled to recall rights to his original position in order of his seniority along with those employees who accepted layoff when work is again available. Employees are subject to recall in the inverse order in which they were laid off, by classification, i.e., last out, first back. -Open positions- not subject to recall, are offered to laid off employees provided they have the experience, training, and ability to perform the work prior to filling the position by any other means. Offers are made on the basis of seniority. An employee who accepts recall to a position other than the position he has recall rights to, does not forfeit his right to be recalled to his original position.

* Union Security. Employees who were union members on the effective date of the agreement or who voluntarily join the union must, as a condition of employment, maintain their membership for the duration of the agreement to the extent of continuing to pay periodic dues and initiation fees uniformly required as a condition of retaining union membership. Those who are not union members must, as a condition of employment, pay an agency fee to the union on and after the 31st day following their employment (or reemployment) and must continue to do so during the term of the agreement. Upon written request by the union, the Company will terminate an employee who fails to pay unions dues or the agency fee.

* Holidays. There are 9 holidays.

* Leave (Personal Time Off (PTO) Program). PTO is a bank of days that employees can use for any reason (sick time, school programs, family leave). Employees accrue PTO based on completed years of service as follows: Less than 1 year, 10 days or 80 hours; one through four years, 15 days or 120 hours; five through nineteen years, 20 days or 160 hours; 20+ years, 25 days or 200 hours. Active full-time employees on Jan. 6, 1997, (i.e., privatized employees), were granted 5 days of PTO. Their accrual of PTO is determined on their seniority date based on government service time exclusive of any military service. Employees can cash out up to five PTO days each benefit year. The cash out is at 50% of the employee + s working rate multiplied by the number of hours cashed out. In addition to PTO, employees are allowed up to three days (five days when traveling out of the home state) bereavement leave.

* Grievance and Arbitration Procedure. The agreement contains a detailed grievance and arbitration procedure.

* Benefits. Employees enjoy the same benefits the Company provides to salaried employees of the company. They are: Comprehensive Hughes Medical Options, Health Maintenance Option(s), Hughes Dental Plan Option(s); Dental Maintenance Organization Option(s), Vision Care, Basis and Option Life Insurance, Dependent Life Insurance, Accidental Death & Dismemberment Insurance, Short Term Disability, Long Term Disability, Flexible Spending Accounts, Retiree Group Life Insurance, HTSC Employee Thrift and Savings Plan, and HTSC Retirement Plan Non-Contributory Option.

* Alternative Work Schedules. Employees, with the approval of their management and team (if applicable), may participate in a compressed work schedule